

OGC HAS REVIEWED.

Approved For Release 2001/08/27 : CIA-RDP57-00384R000400060111-1

**SECRET**

27 Sept 1950)

on

Chief, Staff B

27 September 1950

Legal Staff

Staff Agent Lump-Sum Differential Payment

1. Reference is made to our discussions of recent date in connection with the above subject. In view of the importance of the subject this memorandum has been written.

2. Due consideration has been given to your proposal that a clause be inserted in a specific staff agent contract to provide for a lump-sum differential payment. The differential payment would be based on a per annum comparison and projection of salary, allowances and other benefits of a like or similar nature to the extent that they are determinable. The differential payment would be computed with appropriate deductions for Federal taxes, thereby eliminating any responsibility on the part of the individual to report the differential payment as taxable income.

3. The operational merit of this proposal is not disputed. However, two fundamental considerations suggest the advisability of adhering to existing procedures and practices in the absence of a satisfactory understanding or indication from the affected agencies.

4. The first consideration is that CIA, as the employing agency, has no authority to withhold taxes except in the manner specifically prescribed by statute and the regulations issued thereunder. To withhold in the suggested manner would constitute not only an unauthorized departure from said statutes and regulations but would effectively prevent the Bureau of Internal Revenue from fulfilling its legislative mandate to audit income tax returns. The Bureau of Internal Revenue is undoubtedly an interested agency in this matter.

5. The second consideration is that a technical augmentation of the CIA appropriation would result, since the amount withheld from the employee would not be forwarded to the Treasury of the United States but would be held in the CIA appropriation. Theoretically, this would be of interest to the Bureau of the Budget and Congress.

6. There has been drafted, therefore, to be forwarded with this memorandum a contract which is consistent with existing practices and procedures and retains some of the advantages of the lump-sum differential payment proposal inasmuch as, in the final analysis, it is based on the lump-sum principle.

7. In view of the urgency of the case concerned, it is suggested that the attached contract be signed by the individual concerned and further consideration be given to the development of acceptable techniques.

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Encl: Contract for

Contract  
Legal Decisions

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ENCLOSURE